Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

NOVEMBER 1983

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Specialty Advertising:

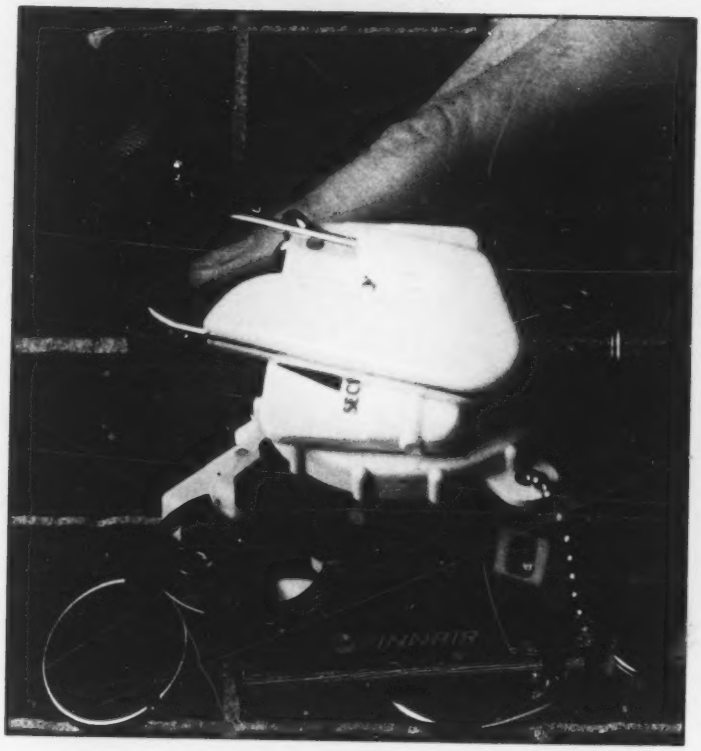
New player in the premium game

Chicago Show Report

A BILL PUBLICATION

Incentive Marketing

November 1983



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Vol. 157
Number 11
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Cover: Photo by Don Kushnik

Bill publications and divisions: Automotive Chain Store, Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

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AMES PROMOTIONAL BY-PASS PRUNER is 25% lighter than forged pruners. Wide, non-pinching handles feature comfortable shape. Easy to clean, crisp cutting action.

Our Rip-Off of The Month Coupon is worth $3.50.

Maybe more.

Sure, rip-off's a dirty word. We've all been had too many times. But here's your chance to rip somebody else off.

Rip off the coupon and get this month's premium sample – an honest-to-goodness $7 value – for only $3.50. Clip the coupon to your letterhead, enclose your check or money order, and mail today.

We'll send back this Ames Pruner, one of 9,000 different items from $1 to $900 you can get for your next sales incentive or dealer program. We'll send our Incentive Program Planning Kit which could be worth a lot more than $3.50 to you. If you don't want the pruner, just send the coupon, we'll send the free Kit. And if you need help right now in picking one premium or in planning a whole campaign, let our professional incentive marketers do it. Give us some details in your letter. We'll call.

Or you can call, 304/424-3000. Ask for Lou Harris or Jeff Sheridan.

☐ Payment enclosed for this month's premium sample and Incentive Program Planning Kit. (Enclose remittance with order. Please allow 4 weeks for delivery.)

☐ Check here for free Incentive Program Planning Kit only.

CLIP THIS COUPON TO YOUR COMPANY LETTERHEAD AND MAIL TO McDONOUGH INCENTIVES, BOX 1774, PARKERSBURG, WEST VIRGINIA 26101.

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Circle No. 115 on Buyer Action Card

Mail-in prices up again in early 1983

NEW YORK NY.—Consumer premium promotions are costing more—but are worth more to consumers—according to **Incentive Marketing's** latest promotion index. The twice-yearly study tracked 190 premium offers selected from various retail outlets and advertising media during the first half of 1983.

Average prices for a mail-in offer increased to $14.22, up from $12.49 in the second half of 1982, a gain of nearly 14 percent. Compared to the first six months of last year, when the average mail-in price was reported at $9.93, the new figure represents a leap of 43 percent.

More than 35 percent of promoters claimed retail values in their offers—a slight increase from the 32.5 percent recorded in the second half of 1982, but consistent with the proportion found for the first half of that year.

Average value claimed for a consumer mail-in premium offer during the first half of 1983 was $23.89, not quite double the average offer price for the period.

Food products manufacturers continued as leading users of consumer premium promotions, but several other product categories increased their usage in recent months, and are broken out for the first time in the chart below. Health & beauty aids makers held steady in the runner-up position, while producers of magazines, tobacco products, household fixtures and

MAIL-IN PREMIUM PRICES

COST	FIRST HALF '83	SECOND HALF '82	FIRST HALF '82
Free	25.8%	17.5%	17.0%
$0.01-$0.99	7.4%	5.9%	7.5%
$1.00-$4.99	21.0%	27.0%	35.0%
$5.00-$9.99	16.3%	28.6%	20.8%
$10.00 and up	29.5%	21.0%	19.7%

WHO'S BEHIND THE OFFERS

CATEGORY	FIRST HALF '83	SECOND HALF '82	FIRST HALF '82
Food Products	38.9%	49.5%	48.0%
Health & Beauty Aids	11.6%	12.7%	12.0%
Magazines	8.9%	Not Ranked.	Not Ranked.
Tobacco Products	8.4%	3.6%	1.4%
Alcoholic Beverages	4.2%	3.6%	2.3%
Household Fixtures & Tools	4.2%	Not Ranked.	Not Ranked.
Book Clubs	3.0%	Not Ranked.	Not Ranked.
Paper Products	3.0%	7.6%	3.0%
Automotive Products	2.6%	2.8%	4.0%
Pens	2.6%	Not Ranked.	Not Ranked.
Apparel	2.1%	Not Ranked.	Not Ranked.
Cleaning Aids	2.1%	4.0%	8.0%
Pet Foods	1.6%	4.2%	4.2%
Soft Drinks	1.6%	4.7%	2.5%
Appliances	0.5%	1.2%	1.6%
Miscellaneous	4.7%	6.1%	13.0%

tools, and book clubs passed such traditional leaders as paper products, soft drinks, and pet foods in the standings.

More and more offers skewed toward the high end of the IM index, including many premiums which conveyed product imagery, as depicted in media advertising, in appeals to upscale market segments. Here are some examples:

- Marlboro cigarettes (Philip Morris Inc.) played up its rugged cowboy image with the Marlboro Country Store premium collection. This mail-order promotion offered items ranging from a Zippo lighter at $9 to a pair of leather trail driver boots at $94, and all the way up to a sheepskin coat at $290—the most expensive item charted in this survey. R.J. Reynolds' Camel brand sponsored a similar collection in competitive activity.
- Prego spaghetti sauce (Campbell Soup Co.) launched the "Prego Italian Cooking Extravaganza" which offered almost anything usable in the kitchen. Customized premiums bore the brand's logo and began with an oven mitt—with a claimed retail value of $5.95—offered for $3 and two proofs-of-purchase. Highlights included a pasta & dough machine—with a claimed value of $200—offered for $117.50 and two proofs, and a Signor Salton Espresso/Capuccino Maker—with a claimed value of $79—offered for $50 and two proofs.

Marketers also continued to supply attractive premiums at no charge to consumers. Star-Kist Foods' 9-Lives cat food offered a free health examination for a cat at his/her local animal hospital. Owners/consumers had to submit various combinations of proofs.

Incentive Quote

"It's important to realize that the amount of time and money the contest crowd devotes to its obsession is disproportionate to the gains. Robert Gables, a Cleveland stockbroker, mailed out 7000 entries last year. He won 72 prizes worth $1000, and a lot of it was junk. He figures he spent $2100."

—Money magazine, on "Ways to win those contest jackpots."

Polaroid, United in discount offer

CAMBRIDGE MA.—United Airlines is the latest carrier to participate in a consumer promotion with Polaroid cameras and film. A nationwide program running through the end of the year offers $100 flight discount certificates to consumers spending $100 or more on Polaroid 600 Series cameras, 600 High Speed instant color film, or Time-Zero Supercolor film. Consumers spending $50 or more receive $50 fare discounts.

The airfare discounts are obtained by mailing in proofs, and apply to domestic roundtrip flights, including supersavers, and must be used in 1984. There are some restrictions: discounted travel will not be valid April 13-20, November 19-21 and 24-26, December 19-23 and 26-30; and

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DECEMBER 1983

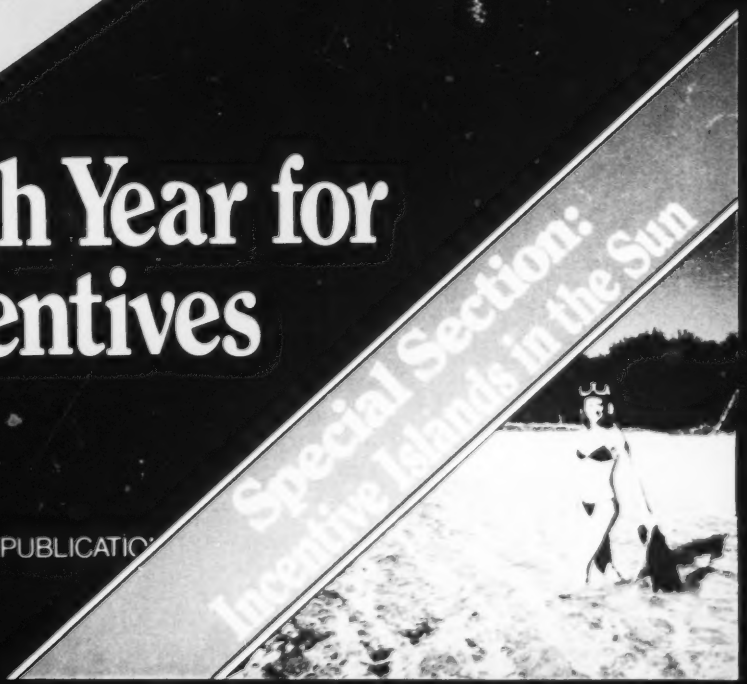
Incentive Marketing

INCORPORATING INCENTIVE TRAVEL

Facts:

ANNUAL REPORT

A Tough Year for Incentives



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INCENTIVE MARKETING

Special Report: INCENTIVE TRAVEL '83

December 1983

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75 ***SALES INCENTIVES—*** This sector paced the field again in terms of expansion, with a spending increase of 5.6%, but still came in below forecast.

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105 ***ISLANDS IN THE SUN—*** A guide to sun, sea, sand, and smiles in the Caribbean, Bahamas, and Bermuda.

Bill publications and divisions: Automotive Chain Store, Incentive Marketing, Incentive Marketing Facts, Industrial Chemical News, Institutional Distribution, Jobber/Retailer, Modern Tire Dealer, Plastics Technology, Restaurant Business, Restaurant Design, Sales & Marketing Management, Successful Meetings, BillCom Books & Directories, Integrated Food Services, Market Statistics Inc., Sales Builders, SM Data Bank & Seminars.

1982: A Tough Year for Incentives

Cheer up! Eight years ago it was much worse. That's about the best one can say about the progress of incentives in 1982.

Last year witnessed a 4.5-percent incentive growth in dollar expenditures, compared with a drop of 3.8 percent in 1974. But against the backdrop of five-percent inflation in '82, it was little to cheer about. And the effectiveness of users' incentives last year reached a low unmatched in recent history.

The dollar advance was much less than the 9.1 percent users had earlier told us to expect. It seems likely they wrote more inflation into their forecasts than actually occurred. But marketers also retreated from some promotion plans, as we exchanged double-digit inflation for double-digit unemployment and a drop in virtually every other indicator.

Only four industries increased their incentive spending significantly above the inflation rate—two of them by less than seven percent, two between eight and nine percent.

The insurance industry made the boldest move, increasing its incentive budget by 8.7 percent over the 1981 level. By far the largest portion of insurance expenditures went for sales force incentives, and that category rose by 8.6 percent last year. But smaller dealer (broker) incentive expenditures increased by 10.7 percent.

Overall, insurance spending for sales motivation in the two categories reached an estimated $290,402,000—up nine percent from 1981. The sales incentive portion alone hit a new high of $243,384,000 to make this industry the largest user of such programs by a wide margin. Outlays for all incentive techniques for the insurance field in '82 totaled $346,279,000.

The only other noteworthy growth was in the Office Equipment industry, up an estimated 8.3 percent in 1982 incentive spending.

Automotive field spent $787 million on incentives, but growth was slow: up 3% for auto makers, up 4.3% for auto parts.

Belt-tightening hit the farm, with equipment makers spending .6% less, while feed & supply spending was up 4.2%. Agribusiness incentives topped $327 million.

'67

'72

to $162,442,000. Here too, the category of sales incentives was the greatest contributor to expansion, up 12.7 percent.

Only two other industry groups exceeded the inflation rate by as much as one percentage point—Industrial Chemicals, up 6.8 percent, and Publishers, Printers & Broadcasters, increasing their incentive usage by 6.3 percent. The horizontal category of Wholesalers & Distributors also spent 6.3 percent more than the year before.

Another dozen industries hovered in the middle ground between four and six percent, while 14 increased less than four percent—or, in three cases, decreased their expenditures. All of these reports were, in effect, declines in real spending for promotion.

In the silver-lining department, there is another bright spot. Whereas the last major recession brought a much deeper dip in usage—12 percent—in the second year, 1975, it appears now that the economic recovery has progressed enough to get incentive programs back in a growth mode. The 7.2-percent expansion rate forecast early this year could be attained.

The early predictions by users suggested they would move heavily last year into consumer promotion, with relatively small increases in trade incentive spending—contrary to the usual pattern.

In the end, however, they generally followed the more familiar route, and trade incentives—especially those

Spending on consumer premiums rose just 2.5%, as manufacturers and retailers continued to pour money into price promotions.

Travel incentives retained position as fastest-growing trade segment, but growth was modest.